IN THE

Supreme Court of the United States

OCTOBER TERM, 1979

No. 79-1742

AMERICAN STERILIZER COMPANY,
Petitioner,
v.
SYBRON CORPORATION and CASTLE COMPANY,
a Division of Sybron Corporation,
Respondent.

PETITIONER'S REPLY MEMORANDUM

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Respondent emphasizes that the decision below is based on contract law. The respondent states that "—the state law of contract controls the agreement between the parties and not federal patent law" (Respondent's brief, page 6).

Respondent's position is in conflict with the basic tenets of *Lear, Inc.* v. *Adkins,* 395 U.S. 653 (1969) wherein this Court stated (at pages 670, 671): "We think it plain that the technical requirements of contract doctrine must give way before the demands of the public interest in the typical situation involving the negotiation of a license after a patent has issued"; and (at page 673) in relation to royalties: "The parties' contract, however, is no more controlling on this issue than is the State's doctrine of estoppel, which is also rooted in contract principles".

Moreover, respondent's position is in direct conflict with the Constitutional standard on patents. As pointed out in *Graham* v. *Deere,* 383 U.S. 1, 5, 6: "Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must promote the Progress of . . . useful Arts. This is the standard expressed in the Constitution and it may not be ignored".

Clearly, in licensing an issued patent, this Constitutional standard may not be ignored by requiring payment of royalties on subject matter which is in the public domain (Finding #50, App. p. 41a). Such would enable state contract law to determine scope of a patent whereas federal patent law is pre-emptive in this area.

Respondent at page 4 of its brief in opposition states that "petitioner omits mentioning that the license agreement is a package license". In footnote 10 (App. p. 83a), the court below disposed of this matter, pointing out that "the package licensing argument was not raised in the district court and we accordingly decline to consider it for the first time on appeal".

Also on page 4, the respondent refers to licensee's failure to terminate the license agreement; that *Lear, Inc.* v. *Adkins* (supra) does not require termination of the license agreement by the licensee was settled by the Third Circuit Court of Appeals in its first decision in this case of November 7, 1975 (App. pp. 22a and 23a).

On page 7 of respondent's brief in opposition, respondent urges that the district court did in fact decide the issue of scope of the patent; whereas, the Third Circuit Court of Appeals specifically stated that, in the district court decision,

> "—the royalty award was not based on a determination that the Medallion sterilizer (petitioner's new item of manufacture) was within the scope of the (licensed) McDonald patent, but rather on his (trial judge's) determination that the Medallion was within the definition of "Infringing Method' under the licensing agreement" (App. p. 78a).

The positions stated by respondent focusing the reliance of the lower court on state contract law in an area where federal patent policy is pre-emptive not only emphasize the need for review but, suggest that summary reversal may be in order.

Respectfully submitted,

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